

January 2018

## Re: Japonica Partners Investment in Greece Government Bonds (GGBs)

We hereby provide a seminal note on our proactive investment in Greece government bonds (GGBs). As with all Japonica Partners investments, our “delta investment framework” – with its foundation of unparalleled research – for the GGB investment had three building blocks: (1) we discovered systemic misconceptions, (2) we discovered massive under-valuation, and (3) we constructed plans to create extraordinary value.

Our initial entry price was as low as 11.40, and the average price during the government’s December liquidity swap was approximately 88. Japonica’s target price was 85. The GGB investment is the most recent of our landmark proactive investment situations including Sunbeam-Oster, Allegheny International, CNW, Swank, and Borden.

In the summer of 2012, our unparalleled research discovered an investment grade government bond hidden by numerous systemic misconceptions and priced as if in default. Even the most highly regarded investors failed to see the systemic misconceptions and the massive under-valuation, which are two of the building blocks of our “delta investment framework”, making the GGB investment a low risk and high return investment opportunity.

To improve the GGB investment risk/return even further, we successfully executed our plans to create extraordinary value and vastly exceeded expectations. The list of accomplishments is long and impressive. At the core of the accomplishments is wide agreement that the public financial management (PFM) success of the Greece government is the right path to a prosperous future. In fact, Greece Prime Minister Alexis Tsipras has made PFM one of his government’s top priorities, there is political consensus in Greece on PFM, and Greece and Portugal are collaborating to lead the Eurozone on PFM.

Indeed, Greece government monthly financial reporting is now among the best in the Eurozone (source: EY report) and the government is well along the path of implementing a full system of PFM based on international public sector accounting standards, which was passed into law by the Greek parliament.

Also, at the core of our accomplishments was correcting the systemic misconception regarding the Greece government’s high debt ratios by winning wide recognition that Greece government debt should be reported using international public sector accounting standards to reflect economic reality. We have successfully educated the most senior levels in the European Commission, IMF, Germany, and Greece on correctly calculating Greece government debt to reflect economic reality by using international public sector accounting standards. When correctly calculated, Greece government debt is closer to 75% of GDP, not 180% of GDP, and its net debt (debt less financial assets) is only 46% of GDP.

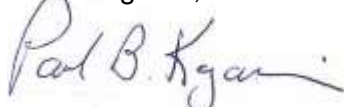
Further recognition of our hard work includes the William Pitt the Younger Award, an HBS case study, appointment as sole special advisor to a European task force on government balance sheets, professorships on PFM at two major universities, co-organization of ground-breaking multi-disciplinary leadership summits/conferences, scores of keynote speeches, hundreds of high-impact presentations, a highly influential PFM website, and countless publications citing our work.

Our relentless work on PFM, including improving the lives of Greek citizens, will continue with the establishment of the Kazarian Center for Public Financial Management in Lisbon, Portugal.

A special thank you to our team of over 100 members who joined us on the extraordinary GGB investment journey.

We look forward to our next major investment and constructing the three building blocks of our “delta investment framework”.

Warm regards,



Paul B. Kazarian  
Chairman and CEO